

Message Text

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P R 211735Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 7388
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
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DEPARTMENT PASS FEDERAL RESERVE BOARD; TREASURY FOR
DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD JUNE 15 - 21

SUMMARY: GDP TURNED UPWARDS IN THE FIRST QUARTER OF 1978
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ON THE STRENGTH OF INCREASED CONSUMER OUTLAYS. UNEMPLOY-
MENT SHOWED LITTLE CHANGE IN THE MONTH TO MID-JUNE WHILE
AVERAGE EARNINGS ROSE FULLY 3.6 PERCENT IN APRIL, JEOPARD
IZING THE CURRENT PAY POLICY. INDUSTRIAL PRODUCTION RE-
BOUNDED IN APRIL. RETAIL PRICES ROSE 0.6 PERCENT IN MAY.
STERLING M3 WAS UP 0.8 PERCENT IN THE MOST RECENT BANKING
MONTH (MAY). FINANCIAL MARKETS APPEARED TO BE HUNG OVER

FROM THE PREVIOUS WEEK'S BUYING BINGE IN GILTS. THE MARKET FOR STERLING REMAINED CAUTIOUS AS THE POUND GAINED AGAINST THE DOLLAR BUT FELL AGAINST OTHER HARD CURRENCIES.
END SUMMARY

1. GROSS DOMESTIC PRODUCT (GDP). GROSS DOMESTIC PRODUCT INCREASED DURING THE FIRST QUARTER OF 1978. THE THREE BASIC MEASURES OF GDP ARE SUMMARIZED IN THE FOLLOWING TABLES:

1970 EQUALS 100				
	EXPENDITURE BASED	INCOME BASED	OUTPUT BASED	AVERAGE
1977-I	111.1	109.0	110.6	110.2
II	111.9	111.1	109.5	110.8
III	112.0	110.5	110.6	111.1
IV	111.9	111.2	111.1	111.4
1978-I	112.2	111.8	112.0	112.0

PERCENT CHANGE FROM 12 MONTHS EARLIER				
1977-I	- 0.3	L.1	2.3	1.0
II	1.3	2.0	1.0	1.4
III	0.8	1.1	2.1	1.4
IV	- 0.6	0.0	0.8	0.1
1978-I	1.0	2.6	1.3	1.6

THE MOST STABLE SHORT-RUN INDEX IS THE OUTPUT-BASED MEASURE WHICH ROSE 0.8 PERCENT DURING THE FIRST QUARTER OF UNCLASSIFIED

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1978 AND CURRENTLY STANDS 1.3 PERCENT ABOVE ITS LEVEL OF THE FIRST QUARTER OF 1977.

THE IMPLIED INDEX OF HOME COSTS, THE CLOSEST THING TO A GDP DEFLATOR FOR THE U.K. ROSE 2.5 PERCENT DURING THE FIRST QUARTER TO A LEVEL OF 10.0 PERCENT ABOVE THAT OF THE FIRST QUARTER OF 1977.

LOOKING AT THE DISAGGREGATED EXPENDITURE DATA THERE WERE MAJOR INCREASES IN CONSUMER EXPENDITURE (UP 2.2 PERCENT) AND IMPORTS OF GOODS AND SERVICES (UP 8.8 PERCENT). GOVERNMENT EXPENDITURE ROSE 1.2 PERCENT WHILE INVENTORY ACCUMULATION WAS SUBSTANTIALLY POSITIVE, INCREASING BY 184 MILLION POUNDS (1970 PRICES) COMPARED WITH ONLY 11 MILLION IN 1977-IV. EXPORTS OF GOODS AND SERVICES ROSE 1.8 PERCENT WHILE FIXED INVESTMENT WAS DOWN BY 1.8 PERCENT. THE INVESTMENT FIGURE IS BOUND TO BE DISAPPOINTING BUT VERY LIKELY REFLECTS THE CONTINUING DECLINE IN PUBLIC SECTOR INVESTMENT AND THE CUTBACKS IN THE STEEL INDUSTRY.

THE DISAGGREGATED INCOME DATA REVEALS A 3.3 PERCENT RISE IN INCOME FROM EMPLOYMENT. THE SHARE OF DOMESTIC

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INCOME ACCOUNTED FOR BY THIS SOURCE ROSE FROM 67.2 PERCENT IN 1977-I TO 68.8 PERCENT IN 1978-I. GROSS CORPORATE PROFITS BEFORE STOCK APPRECIATION ROSE 3.6 PERCENT IN THE FIRST QUARTER. HOWEVER, THEIR SHARE IN DOMESTIC INCOME DECLINED TO 10.8 PERCENT FROM 11.9 PERCENT A YEAR EARLIER. THESE RELATIVE MOVEMENTS MAY INDICATE THAT THE THIRD YEAR OF WAGE RESTRAINT HAS NOT BEEN AS SUCCESSFUL AS THE FIRST TWO IN FOSTERING A SHIFT OF INCOME TOWARD THE CORPORATE SECTOR.

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2. AVERAGE EARNINGS. THE CURRENT PAY POLICY WAS SEVERELY STRETCHED IN APRIL. THE OLD INDEX OF AVERAGE EARNINGS (JAN. 1970 EQUALS 100) ROSE 3.6 PERCENT IN APRIL WHILE THE MORE RECENT (JAN. 1976 EQUALS 100) AND MORE BROADLY-BASED INDEX ROSE 1.8 PERCENT. THE FOLLOWING TABLE SUMMARIZES THE MOVEMENTS IN BOTH INDICES SINCE THE BEGINNING OF THE CURRENT PAY ROUND:

	PERCENT CHANGE		PERCENT CHANGE	
	OLD	FROM 12 MONTHS	NEW	FROM 12 MONTHS
	(1970)	EARLIER	(1976)	EARLIER
AUG.	287.7	8.0	115.7	7.3
SEPT.	291.0	9.1	116.6	7.7
OCT.	295.8	9.6	117.9	8.7
NOV.	300.5	10.3	120.1	8.6
DEC.	304.8	10.6	121.7	9.4
JAN.	306.3	10.2	121.5	9.5
FEB.	311.2	11.5	122.7	10.5
MAR.	314.8	11.2	125.0	10.3
APR(PROV.)	326.1	15.0	127.2	12.5

THE APRIL SURGE HAS BEEN ATTRIBUTED TO A VARIETY OF FACTORS INCLUDING AN INCREASE IN THE LEVEL OF ECONOMIC ACTIVITY, BACK-DATED PAY SETTLEMENTS FOR SEVERAL LARGE GROUPS, AND SELF-FINANCING PRODUCTIVITY DEALS WHICH ARE MORE PREVALENT IN THE MANUFACTURING INDUSTRIES COVERED BY THE OLD INDEX. WHATEVER THE CAUSE, THE OLD INDEX HAS RISEN 13.9 PERCENT SINCE THE BEGINNING OF THE PAY ROUND. WITH THREE MONTHS REMAINING IN THE PAY ROUND, MODEST MONTHLY INCREASES WILL PLACE THE OVERALL RISE IN EARNINGS IN THE OLD INDEX IN THE 16 PERCENT RANGE WHILE THE RISE ON THE NEWER INDEX WILL BE OF THE ORDER OF 13-14 PERCENT.

3. INDUSTRIAL PRODUCTION. INDUSTRIAL PRODUCTION ROSE UNCLASSIFIED

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SHARPLY IN APRIL. THE INDEX OF INDUSTRIAL PRODUCTION ROSE 1.6 PERCENT IN APRIL, WHILE THE SLIGHTLY NARROWER MANUFACTURING PRODUCTION INDEX WAS UP 1.0 PERCENT. THE FOLLOWING TABLE SUMMARIZES THE MOST RECENT QUARTERLY AND MONTHLY DATA:

	1970 EQUALS 100			
	RECENT		RECENT	
	CHANGE FROM		CHANGE FROM	
	ALL	12 MONTHS	MANUFAC-	12 MONTHS
	INDUSTRIES	EARLIER	TURING	EARLIER
1977-I	103.2	3.0	105.3	4.1
II	101.9	0.4	102.9	- 0.4
III	102.7	1.8	103.7	0.3
IV	102.2	- 0.7	103.2	- 1.3
1978-I	103.2	0.0	104.1	- 1.1

JAN.	102.9	- 0.4	103.7	- 1.3
FEB.	103.5	0.3	104.0	- 1.4
MAR.	103.2	0.1	104.5	- 0.8
APR.	104.8	2.5	105.5	2.0

MOST OF THE APRIL INCREASE WAS ACCOUNTED FOR BY HIGHER OUTPUT OF NORTH SEA OIL, THE MINING AND QUARRYING SECTOR WAS UP 3.7 PERCENT, AND "GAS, ELECTRICITY AND WATER" (UP 7.0 PERCENT). MARGINAL INCREASES WERE THE RULE IN OTHER SECTORS WITH THE EXCEPTION OF METAL MANUFACTURES (UP 3.8 PERCENT) AND CHEMICALS (DOWN 2.3 PERCENT).

THE MARKET SECTOR BREAKDOWN REVEALS A SHARP JUMP IN INTERMEDIATE GOODS OUTPUT (UP 3.9 PERCENT), NO CHANGE IN INVESTMENT GOODS, AND A SMALL RISE (0.9 PERCENT) IN CONSUMER GOODS OUTPUT. THE INDEX OF THE OUTPUT OF "ALL INDUSTRIES OTHER THAN CONSTRUCTION" STOOD AT 108.5 IN APRIL, A RISE OF 1.6 PERCENT FROM ITS MARCH LEVEL OF 106.8. WHEN THE EFFECT OF NORTH SEA OIL IS ELIMINATED FROM THE FIRST QUARTER FIGURES, THE RISE IN OVERALL INDUSTRIAL PRODUCTION IS 0.5 PERCENT, WHILE THE CHANGES FOR MANUFACTURING AND ALL OTHER INDUSTRIES OTHER THAN CONSTRUCTION ARE 0.3 AND 1.0 PERCENT, RESPECTIVELY.

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THE APRIL FIGURES DO NOT AS YET REFLECT A SIGNIFICANT UPTURN IN PRODUCTION IN THE MANUFACTURING INDUSTRIES. THE GAINS OF THE LAST 6 MONTHS HAVE BEEN LARGELY DUE TO RISING NORTH SEA OIL PRODUCTION AND TO EFFECTS OF A COLD-

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ER THAN NORMAL WINTER.

4. UNEMPLOYMENT. UNEMPLOYMENT WAS VIRTUALLY UNCHANGED IN THE MONTH TO MID-JUNE. THE SEASONALLY ADJUSTED TOTAL EXCLUDING SCHOOL LEAVERS FELL BY 1,800 TO 1,364 MILLION (5.6 PERCENT) WHILE THE RAW TOTAL ROSE BY 59,000 TO 1,446 MILLION (6.1 PERCENT), REFLECTING THE SEASONAL INFLUX OF SCHOOL LEAVERS. THE NUMBER OF SCHOOL LEAVERS INCLUDED IN THE TOTAL IS LESS THAN HALF THAT OF JUNE 1977 AND PROBABLY REFLECTS A GREATER DEMAND FOR LABOR AND THE ON-UNCLASSIFIED

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SET OF AN EXPANDED GOVERNMENT PROGRAM TO PROVIDE SOME FORM OF TRAINING OR WORK EXPERIENCE TO VIRTUALLY ALL SCHOOL LEAVERS. THE SEASONALLY ADJUSTED TOTAL HAS NOW FALLEN WITHOUT A BREAK SINCE SEPTEMBER 1977 WITH THE NUMBER OF REGISTERED VACANCIES FOLLOWING A SIMILAR PATTERN IN THE OTHER DIRECTION. THE FOLLOWING TABLE SUMMARIZES THE LATEST FIGURES FOR BOTH THE U.K. AND GREAT BRITAIN:

UNITED KINGDOM				
SEASONALLY				
	UNADJUSTED	PERCENT	ADJUSTED	PERCENT
	(MILLIONS)		(MILLIONS)	
DEC.	1.4808	6.2	1.4224	6.0
JAN.	1.5485	6.5	1.4192	5.9
FEB.	1.5087	6.3	1.4090	5.9
MAR.	1.4610	6.1	1.4000	5.9
APR.	1.4518	6.1	1.3871	5.8
MAY	1.3868	5.8	1.3664	5.7
JUNE	1.4460	6.1	1.3642	5.7

GREAT BRITAIN

DEC.	1.4197	6.1	1.3647	5.9
JAN.	1.4847	6.4	1.3610	5.8
FEB.	1.4459	6.2	1.3502	5.8
MAR.	1.3990	6.0	1.3403	5.7
APR.	1.3875	5.9	1.3264	5.7
MAY	1.3249	5.7	1.3068	5.6
JUNE	1.3814	5.9	1.3051	5.6

5. RETAIL PRICES. RETAIL PRICES ROSE MODERATELY IN MAY. THE INDEX OF RETAIL PRICES (JAN. 1974 EQUALS 100) ROSE 0.6 PERCENT IN MAY WHILE THE 12-MONTH RATE OF INCREASE DROPPED FROM 7.9 TO 7.7 PERCENT. THE FOLLOWING TABLE UNCLASSIFIED

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SUMMARIZES THE MOST RECENT MONTHLY CHANGES:

	RECENT CHANGE FROM 12 MONTHS EARLIER	
1977 NOV.	187.4	13.0

DEC.	188.4	12.1
JAN.	189.5	9.9
FEB.	190.6	9.5
MAR.	191.8	9.1
APR.	194.6	7.9
MAY	195.7	7.7

GIVEN THE 1.1 PERCENT RISE IN JUNE 1977, THE 12 MONTH RATE OF CHANGE TO THIS JUNE IS LIKELY TO FALL SLIGHTLY FURTHER BEFORE PRICE INCREASES LEVEL OUT FOR A SHORT PERIOD AT ABOUT 8 PERCENT. PRICE INCREASES EXPECTED TO AFFECT THE INDEX IN THE COMING MONTHS INCLUDE THE RECENT RISE IN MORTGAGE INTEREST RATES AND HIGHER FARES ON PUBLIC TRANSPORT. A POSSIBLY OFFSETTING INFLUENCE WILL BE SEASONAL FOOD PRICES WHICH TEND TO DECLINE DURING THE SUMMER MONTHS. LATER IN THE YEAR, RETAIL PRICES SHOULD BEGIN TO REFLECT THE RECENT DECLINE IN STERLING AND PERHAPS THE HIGHER THAN ANTICIPATED RATE OF INCREASE IN AVERAGE EARNINGS AS WELL.

6. BANK OF ENGLAND QUARTERLY BULLETIN. IN ITS MID-YEAR QUARTERLY BULLETIN, THE BANK OF ENGLAND DETECTS SIGNS OF AN INCREASE IN THE RATE OF ECONOMIC GROWTH. TO SUSTAIN THIS INCREASE THE BANK BELIEVES THAT FINANCIAL CONFIDENCE MUST BE MAINTAINED. IT NOTES THAT FEARS OF A NEW ACCELERATION IN WAGE INFLATION HAVE BEEN AN UNDERLYING SOURCE OF MARKET UNCERTAINTIES. IN THIS LIGHT THE BANK WARNS THAT RATHER THAN ALLOWING INFLATION TO CREEP UP, A GENERAL AND WIDESPREAD UNDERSTANDING OF THE NEED TO REDUCE INFLATION FURTHER IS REQUIRED. IT STATES THAT "THE RISE IN PRICES MAY STAND ABOUT 8 PERCENT HIGHER" (12-MONTH

RATE) THAN AT THE END OF 1977. "THE RISE IN PRICES NEXT
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YEAR (1979) COULD BE WELL BELOW 8 PERCENT OF THE RISE IF
EARNINGS WERE ALSO BELOW 8 PERCENT. TO ACHIEVE THIS,
THE RISE IN WAGE RATES WOULD HAVE TO BE LOWER STILL."
SHOULD THIS BE POSSIBLE, THE BANK BELIEVES "THERE WOULD
BE A GOOD CHANCE OF CONTINUED MODERATE ECONOMIC EXPANSION

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OVER THE NEXT FEW YEARS."

WITH REGARD TO THE BEHAVIOR OF STERLING SINCE IT WAS FLOATED ON OCTOBER 31, 1977, THE BANK BELIEVES THAT TO "SOME CONSIDERABLE EXTENT" THE MOVEMENT IN STERLING REFLECTED THE EARLIER WEAKNESS AND SUBSEQUENT STRENGTHENING OF THE DOLLAR. ALSO CITED AS INFLUENCES ON STERLING WERE THE LOWNESS OF U.K. SHORT-TERM RATES RELATIVE TO THOSE ABROAD AND THE EXPANSION OF THE U.K. MONEY SUPPLY. WITH RESPECT TO THE LATTER, THE BANK STATES THAT "IT IS HARD TO ESTABLISH A CLOSE-KNIT RELATIONSHIP BETWEEN THE EX-
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CHANGE RATE AND THE RATE OF MONETARY EXPANSION IN THE U.K. AND ABROAD WHICH COULD EXPLAIN RECENT MOVEMENTS IN STERLING." SINCE THE PACE OF MONETARY EXPANSION ONLY BECAME APPARENT IN MAY, THE BANK CANNOT SEE HOW THIS AFFECTED THE DECLINE OF STERLING IN MARCH. STILL, THE BANK ADMITS THAT "OVER THE LONGER TERM IT CAN ONLY BE HELPFUL FOR EXCHANGE RATE STABILITY THAT MONETARY EXPANSION SHOULD BE KEPT WITHIN THE TARGET RANGE." (FURTHER DETAILS FOLLOW SEPTEL.)

7. FOREIGN EXCHANGE MARKETS SAW THE YEN AGAIN TAKING LEADERSHIP OF THE HARD CURRENCY BLOC. SWISSY AND THE DM ALSO VERY FIRM DESPITE THE SHARP RISE IN U.S. INTEREST RATES, WHICH ARE SEEN BY SOME DEALERS AS THE SHORT-TERM KEY TO TRENDS IN THE MARKET. EXPECTATIONS ARE FOR A FURTHER INCREASE IN THE FEDERAL FUNDS RATES. THE EXPECTATIONS OF RISING U.S. INTEREST RATES COUPLED WITH DOLLAR WEAKNESS HAS GREATLY REDUCED ACTIVITY WITH EURO-BANK MARKET, WITH A SCARCITY OF NEW ISSUES.

STERLING'S EFFECTIVE RATE REMAINED FAIRLY STABLE, THE POUND RISING AGAINST THE DOLLAR, FALLING AGAINST THE HARD CURRENCY BLOC. EXPECTATIONS ARE FOR LITTLE, IF ANY, FALL IN SHORT-TERM U.K. INTEREST RATES, WHILE THE MARKET DIGESTS THE LARGE GILT SALES AND RECENT TAP ISSUES. TRADE FIGURES SEEN AS ERRATIC BUT ON BALANCE DISAPPOINTING. INFLATION IS CONSIDERED TO HAVE BOTTOMED OUT. THE MARKET REMAINS SLIGHTLY ANXIOUS ABOUT UNDERLYING TRENDS AND MOOD OF MARKET IS CAUTIOUS, ALSO TAKING INTO ACCOUNT EXPECTED RISE IN U.S. INTEREST RATES, USUALLY QUIET STATE OF MARKET DURING SUMMER MONTHS, AND LIKELIHOOD OF AN OCTOBER ELECTION.

8. IN THE FOUR-WEEK BANKING MONTH ENDED MAY 17, M1 ROSE
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0.9 PERCENT, STERLING M3 0.8 PERCENT AND TOTAL M3 1.5 PERCENT,(ALL SEASONALLY ADJUSTED). THE RESPECTIVE INCREASES FOR THE BANKING MONTH ENDED APRIL 19 WERE 1.5 PERCENT, 2.5 PERCENT AND 3.4 PERCENT.

DOMESTIC CREDIT EXPANSION, S.A. (DCE) IN THE MAY BANKING MONTH STOOD AT 1.096 BILLION POUNDS. ALTHOUGH THIS WAS LOWER THAN THE 1.437 BILLION-POUND LEVEL RECORDED IN THE PREVIOUS MONTH, THE APRIL LEVEL IS THOUGHT, HOWEVER, TO HAVE BEEN SWOLLEN BY (PRESUMABLY TRANSIENT)INCREASES IN PUBLIC SECTOR EXPENDITURE AS GOVERNMENT DEPARTMENTS STROVE TO MAKE UP SOME OF THEIR EXPENDITURE SHORTFALLS BEFORE THE END OF THE FISCAL YEAR. THE MAJOR CONTRIBUTION TO THE MAY DCE LEVEL WAS 751 MILLION POUNDS IN STERLING LENDING TO THE PRIVATE SECTOR WHICH IS OVER TWICE AS LARGE AS THE 331 MILLION POUND-AVERAGE FOR THE FIRST FOUR MONTHS OF 1978. ASIN APRIL THE LARGE DCE LEVEL WAS PARTLY OFFSET BY A LARGE INCREASE IN EXTERNAL AND FOREIGN CURRENCY FINANCE.

THE BANKING STATISTICS MAY BE SUMMARIZED:

(MILLIONS OF POUNDS; SEASONALLY ADJUSTED)

	APRIL 19	MAY 17
M1	23,630	23,840
STERLING M3	46,800	47,190
TOTAL M3	51,450	52,200
PUBLIC SECTOR BORROWING REQUIREMENT		
NET OF PUBLIC SECTOR DEBT SALES		
TO THE NON-BANK PRIVATE SECTOR	L,044	321
STERLING LENDING TO PRIVATE SECTOR	262	751
BANK LENDING IN STERLING OVERSEAS	131	24
DCE	L,437	1,096
DECREASE IN EXTERNAL AND FOREIGN		
FINANCE	- 454	- 575
DECREASE IN NON-DEPOSIT LIABILITIES	161	- 121
INCREASE IN STERLING M3	1,114	400

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THE BANK OF ENGLAND WILL HENCEFORTH PUBLISH ONE MONTH IN ADVANCE THE PROVISIONAL ESTIMATE OF THE SEASONAL ADJUSTMENT FACTORS USED IN THE MONTHLY BANKING STATISTICS. THE PROVISIONAL SEASONAL MOVEMENTS FOR THE BANKING MONTH

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ENDED MID-JUNE 1978 ARE:

(MILLIONS OF POUNDS)

M1	- 160	
OF WHICH NOTES AND COINS		30
PRIVATE SECTOR STERLING SIGHT		
DEPOSITS	- 190	
STERLING M3	130	
BANK LENDING TO PRIVATE SECTOR	- 100	

SEASONALLY ADJUSTED CHANGES IN MONEY STOCKS ARE OBTAINED
BY SUBTRACTING THE SEASONAL MOVEMENTS FROM THE UNADJUST-

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ED INCREASES IN THE SERIES.

9. FINANCIAL MARKETS APPEARED TO BE RECOVERING FROM THE
HIGH LEVEL OF ACTIVITY OF THE PRECEDING WEEK. (SEE LON-
DON 9437, PARAGRAPHS 3 AND 5.) THERE WERE PERSISTENT

SHORTAGES IN THE MONEY MARKET AS A RESULT OF SETTLEMENTS OF LAST WEEK'S GILT PURCHASES. ON THURSDAY THE BANK OF ENGLAND ACTED TO RELIEVE THIS PRESSURE BY TEMPORARILY REDUCING ITS RATE OF CALL FOR SPECIAL DEPOSITS FROM 3 PERCENT TO 1-1/2 PERCENT. THE RATE OF CALL IS SCHEDULED TO RISE TO 2 PERCENT ON JULY 3 AND RETURN TO 3 PERCENT JULY 24. THIS SHOULD MAKE OVER 600 MILLION POUNDS IN RESERVES AVAILABLE TO THE BANKING SYSTEM.

THE GILT MARKET RETREATED GENTLY DURING MOST OF THE WEEK. THE HEAVY BURDEN OF THE TWO LARGE NEW ISSUES, EVEN PARTIALLY PAID, IS ONE FACTOR MARKET SOURCES CITE FOR EASING PRICES. MARKET SOURCES ESTIMATE THAT AROUND TWO-THIRDS OF THE NEW LONG GILT, THE 12 PERCENT 2013-2017, WAS PURCHASED AT ITS APPLICATION LAST THURSDAY, WHILE ONLY A SMALL AMOUNT OF THE MEDIUM GILT, THE 10 PERCENT EXCHEQUER 1983 WAS SOLD AT ITS FRIDAY APPLICATION. CUTTING THE RATE OF CALL FOR SPECIAL DEPOSITS DID NOT APPEAR TO HAVE HAD AN IMMEDIATE IMPACT ON THE MARKET.

10. EXCHANGE RATE AND GOLD EFFECTIVE

EXCHANGE RATE			
DATE	EXCHANGE RATE (\$)	(DEC. 1971 EQUALS 100)	GOLD (\$)
6/14	1.8327	61.3	183-7/8
6/15	1.8305	61.3	182-5/8
6/16	1.8310	61.3	184-7/8
6/19	1.8350	61.3	185-1/8
6/20	1.8402	61.3	186-3/8

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CHANGE 6/13-6/20 UP 0.0062 DOWN 0.1 UP 3-3/4

11. FORWARD PREMIUM ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
6/14	- 0.85	- 1.92	- 3.27
6/15	- 0.70	- 1.82	- 3.12
6/16	- 0.65	- 1.62	- 2.94
6/19	- 0.52	- 1.63	- 2.85
6/20	- 0.58	- 1.62	- 2.90

CHANGE 6/13-6/20 UP 0.27 UP 0.13 UP 0.13

(ALL FIGURES IN CENTS)

12. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS.	6 MONTHS
6/14	7-3/4	8-1/4	8-3/4
6/15	8	8-3/8	8-7/8
6/16	8-1/8	8-1/2	9
6/19	8-1/2	8-1/2	8-7/8
6/20	8-1/8	8-5/8	9-1/16

CHANGE 6/13-6/20 UP 7/16 UP 3/8 UP 5/16

13. THREE-MONTH LONDON INTERBANK - EURODOLLAR INTEREST
RATE DIFFERENTIAL

DATE	
6/14	1-29/32
6/15	1-15/16
6/16	1-19/32
6/19	1-1/2
6/20	1-15/32
CHANGE 6/13-6/20	21/32

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ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 CIAE-00 DODE-00 INR-10
NSAE-00 PA-02 ICA-20 SP-02 DOEE-00 AGR-05 CEA-01
COME-00 EB-08 FRB-01 H-02 INT-05 L-03 LAB-04
NSC-05 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SOE-02 OMB-01 DOE-15 /153 W
-----013350 211808Z /41

P R 211735Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 7393
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION GENEVA
USDOC WASHDC

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14. STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTHS
6/14	10-13/16	10-3/16	9-7/8

6/15	10-1/4	10-1/8	9-29/32
6/16	10-1/8	9-13/16	9-11/16
6/19	10-5/16	9-7/8	9-7/8
6/20	10-1/4	9-31/32	9-31/32

CHANGE 6/13-6/20 DOWN 1/2 DOWN 5/32 UP 2/32

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15. INTERPOLATED REDEMPTION YIELDS OF HIGH COUPON GOVERN-
MENT SECURITIES

DATE	5 YEARS	15 YEARS	25 YEARS
6/14	11.49	12.53	12.90
6/15	11.46	12.55	12.85
6/16	11.49	12.57	12.87
6/19	11.63	12.66	12.95
6/20	11.65	12.70	12.98

CHANGE 6/13-6/20 UP 0.29 UP 0.20 UP 0.09

16. THE MINIMUM LENDING RATE (MLR) REMAINS 10 PERCENT,
THE LEVEL SET BY THE BANK OF ENGLAND JUNE 8.

17. THE AVERAGE TREASURY BILL RATE FELL 0.2905 PERCENT TO
9.1348 PERCENT WHEN THE 300 MILLION POUNDS IN TENDERED
BILLS DREW 886.42 MILLION POUNDS IN BIDS. THIS WEEK 300
MILLION POUNDS WILL BE OFFERED.

BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GDP, ECONOMIC DEVELOPMENT, REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON09861
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780259-0176
Format: TEL
From: LONDON USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780636/aaaabewu.tel
Line Count: 741
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f985b784-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 14
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2267375
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS FOR PERIOD JUNE 15 - 21 SUMMARY: GDP TURNED UPWARDS IN THE FIRST QUARTER OF 1978
UNCLASSIFIED
TAGS: ECON, UK
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f985b784-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014